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**City of Shreveport City Court
Shreveport, Louisiana
Financial Statements With Auditors' Report
As of and For the Year Ended December 31, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-27-05

City of Shreveport City Court
Shreveport, Louisiana

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Independent Auditors' Report

City of Shreveport City Court
Shreveport, Louisiana

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Shreveport City Court, a component unit of the City of Shreveport, as of and for the year ended December 31, 2004, which collectively comprise the City of Shreveport City Court as listed in the table of contents. These financial statements are the responsibility of the City of Shreveport City Court's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Shreveport City Court as of December 31, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City of Shreveport City Court has not presented budgetary comparison schedules that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 22, 2005, on our consideration of the City of Shreveport City Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 7 is not a required part of the general purpose financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a stylized flourish extending from the end.

Cook & Morehart
Certified Public Accountants
February 22, 2005

CITY OF SHREVEPORT CITY COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of City of Shreveport City Court's financial performance provides an overview of the City Court's financial activities for the fiscal year ended December 31, 2004. Please read it in conjunction with the City Court's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

The City Court's net assets increased by \$379,937 or 12%.

The City Court's total program revenues were \$569,875 in 2004 compared to \$528,889 in 2003.

During the year ended December 31, 2004, the City Court had total expenses, excluding depreciation, of \$178,465, compared to \$383,752 in 2003.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 8 and 9) provide information about the activities of the City Court as a whole. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City Court's operations in more detail than the government-wide statements by providing information about the City Court's most significant funds. The remaining statements provide financial information about activities for which the City Court acts solely as a trustee or agent for the benefit of those outside of the City Court. The City Court judges are independently elected officials. However, the City Court is fiscally dependent on the City of Shreveport for office space, courtrooms, and related utility costs, as well as substantially all funding of salary and related employee benefit costs. Because the City Court is fiscally dependent on the City of Shreveport, the City Court was determined to be a component unit of the City of Shreveport. The accompanying financial statements present information only on the funds maintained by the City Court.

Reporting the Funds Maintained by the City Court as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the funds maintained by the City Court as a whole begins on page 8. One of the most important questions asked about the City Court's finances is "Is the City Court as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the funds maintained by the City Court as a

whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City Court's *net assets* and changes in them. You can think of the City Court's net assets – the difference between assets and liabilities – as one way to measure the City Court's financial health, or *financial position*. Over time, *increases* or *decreases* in the City Court's net assets are one indicator of whether its *financial health* is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, we record the funds maintained by the City Court as governmental activities:

Governmental activities – all of the expenses paid from the funds maintained by the City Court are reported here which consists primarily of certain materials and supplies, travel, repairs and maintenance and other program services. These represent expenses not paid out of the City of Shreveport's budget for judicial expenses. Fines, fees for services and interest income finance most of these activities.

Reporting the Most Significant Funds Maintained by the City Court

Our analysis of the major funds maintained by the City Court begins on page 10. The fund financial statements begin on page 10 and provide detailed information about the most significant funds maintained by the City Court – not the City Court as a whole. However, the City Court establishes other funds to help it control and manage money for particular purposes (like the probation fund) to show that it is meeting legal responsibilities for using certain fees. The City Court's *governmental funds* use the following accounting approaches.

Governmental funds – All of the City Court's expenses are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City Court's general government operations and the expenses paid from those funds. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain City Court expenses. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

The City Court as Trustee

The City Court is the trustee, or *fiduciary*, for its civil division, traffic violation bureau, and a portion of the small claims fund. All of the City Court's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 12. We exclude these activities from the City Court's other financial statements because the City Court cannot use these assets to finance its operations. The City Court is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE FUNDS MAINTAINED BY THE CITY COURT AS A WHOLE

The City Court's total net assets changed from a year ago, increasing from \$3,062,721 to \$3,442,658. In comparison, last year net assets increased \$109,872. Our analysis below will focus on key elements of the total governmental funds for the 2004 and 2003 years.

Table 1
Net Assets

	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>
Current assets	\$ 3,062,320	\$ 2,670,951
Capital assets	<u>390,072</u>	<u>400,521</u>
Total assets	<u>3,452,392</u>	<u>3,071,472</u>
Current liabilities	<u>9,734</u>	<u>8,751</u>
Net assets:		
Investments in capital assets	390,072	400,521
Restricted	1,107,483	996,977
Unrestricted	<u>1,945,103</u>	<u>1,665,223</u>
Total net assets	<u>\$ 3,442,658</u>	<u>\$ 3,062,721</u>

Net assets of the funds maintained by the City Court's governmental activities increased by \$379,937 or 12%. Unrestricted net assets, the part of net assets that can be used to finance City Court expenses without constraints or other legal requirements increased by \$279,880 from \$1,665,223 at December 31, 2003 to \$1,945,103 at December 31, 2004.

Table 2
Change in Net Assets

	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>
Revenues		
Program Revenues		
Charges for services, fines and fees	\$ 569,875	\$ 528,889
Interest income	<u>40,810</u>	<u>29,254</u>
Total revenues	610,685	558,143
Expenses		
General governmental – judicial	<u>230,748</u>	<u>448,271</u>
Increases in net assets	<u>\$ 379,937</u>	<u>\$ 109,872</u>

For the funds maintained by the City Court, total revenues increased \$52,542 (9%) from total revenues in 2003 of \$558,143 to total revenues of \$610,685 in 2004. For the funds maintained by the City Court, program revenues increased \$40,986 (8%) from program revenue in 2003 of \$528,889 to program revenue of \$569,875 in 2004.

FUNDS MAINTAINED BY THE CITY COURT

For the funds maintained by the City Court, the governmental funds (as presented on pages 10–11) reported a combined fund balance of \$2,975,662 which is an increase of \$313,462 from last year.

Budgetary Highlights

For the funds maintained by the City court, formal budgets in accordance with state law were not adopted. The City Court did adopt a budget for its general funds and major special revenue fund; however, this budget included expenditures only.

CAPITAL ASSETS

At the end of 2004, the City Court had invested \$390,072 in capital assets from those funds maintained by the City Court. (see table 3 below)

Table 3
Capital Assets At Year End
(Net of Depreciation)

	Governmental Activities 2004	Governmental Activities 2003
Computer equipment	\$ 11,800	\$ 14,342
Office equipment	48,641	53,699
Office furniture and improvements	<u>329,631</u>	<u>332,480</u>
Total	<u>\$ 390,072</u>	<u>\$ 400,521</u>

This year's major additions included:

Computer equipment	\$ 8,235	\$ 2,991
Office equipment	2,770	
Office furniture and improvements	<u>30,829</u>	
Total	<u>\$ 41,834</u>	<u>\$ 2,991</u>

More detail information about the capital assets are presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City Court's elected judges and appointed officials considered many factors when setting a fiscal year 2005 budget. Amounts available for appropriation in the governmental funds are expected to remain the same as the revenues available in 2004 which was approximately \$610,000.

As previously stated, a formal budget process, in accordance with state law, has not been implemented for those funds maintained by the City Court. Informal inhouse budgets are prepared.

It is anticipated that the governmental funds' fund balance will increase modestly by the close of 2005. For those funds maintained by the City Court, the City Court will use those revenues for program costs which are not budgeted by the City of Shreveport for the City Court. The City Court has added no major new programs or initiatives to be funded in 2005.

CONTACTING THE CITY COURT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by the City Court and to show the City Court's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Shreveport City Court, Clerk of Court, Judicial Administrators' office at 1244 Texas Avenue, Shreveport, Louisiana 71101.

City of Shreveport City Court
Shreveport, Louisiana
Statement of Net Assets
December 31, 2004

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,957,751
Receivables	27,645
Prepaid expense	76,924
Total current assets	<u>3,062,320</u>
Capital assets (net)	390,072
Total assets	<u>3,452,392</u>
LIABILITIES	
Accounts payable	9,734
Total current liabilities	<u>9,734</u>
NET ASSETS	
Investment in capital assets	390,072
Restricted for:	
Probation	1,104,998
Pro Bono	2,485
Unrestricted	1,945,103
Total net assets	<u>\$ 3,442,658</u>

See accompanying notes to the basic financial statements.

City of Shreveport City Court
Shreveport, Louisiana
Statement of Activities
For the Year Ended December 31, 2004

	Functions / Programs			
	Total	Judicial	Probation	Pro Bono
<u>GOVERNMENTAL ACTIVITIES</u>				
Expenses:				
Materials and supplies	\$ 90,288	\$ 89,869	\$ 419	\$
Travel	27,787	27,787		
Repairs and maintenance	1,511	1,511		
Depreciation	52,283	52,024	259	
Other program services	58,879	58,194	685	
Total expenses	<u>230,748</u>	<u>229,385</u>	<u>1,363</u>	
Program revenues:				
Charges for services - fines and fees	569,875	472,290	96,684	901
Net program revenue (expenses)	<u>339,127</u>	<u>242,905</u>	<u>95,321</u>	<u>901</u>
General revenues:				
Interest Income	40,810			
Total general revenues	<u>40,810</u>			
Change in net assets	379,937			
Net assets - beginning	<u>3,062,721</u>			
Net assets - ending	<u>\$ 3,442,658</u>			

See accompanying notes to the basic financial statements.

City of Shreveport City Court
Shreveport, Louisiana
Balance Sheet
Governmental Funds
December 31, 2004

	Major Funds		Non-Major Fund	Total Governmental Funds
	General	Other Governmental - Probation	Other Governmental - Pro Bono	
Assets				
Cash and cash equivalents	\$ 1,859,477	\$ 1,095,861	\$ 2,413	\$ 2,957,751
Receivables	22,961	4,612	72	27,645
Total assets	<u>\$ 1,882,438</u>	<u>\$ 1,100,473</u>	<u>\$ 2,485</u>	<u>\$ 2,985,396</u>
Liabilities				
Accounts payable	\$ 9,734	\$	\$	\$ 9,734
Total liabilities	<u>9,734</u>			<u>9,734</u>
Fund balances				
Unreserved	1,872,704			1,872,704
Unreserved, special revenue		1,100,473	2,485	1,102,958
Total fund balances	<u>1,872,704</u>	<u>1,100,473</u>	<u>2,485</u>	<u>2,975,662</u>
Total liabilities and fund balances	<u>\$ 1,882,438</u>	<u>\$ 1,100,473</u>	<u>\$ 2,485</u>	

Amounts reported for governmental activities in the statement of activities
are different because:

The nonallocation method of accounting for prepayments is used in the fund
statements, since the prepayment does not provide expendible financial
resources.

76,924

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds.

390,072

Net assets of governmental activities

\$ 3,442,658

See accompanying notes to the basic financial statements.

City of Shreveport City Court
Shreveport, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	Major Funds		Non-Major Fund	
	General	Other Governmental - Probation	Other Governmental - Pro Bono	Total Governmental Funds
Revenues:				
Charges for services - fees and fines	\$ 472,290	\$ 96,684	\$ 901	\$ 569,875
Interest income	26,786	13,997	28	40,811
Total revenues	<u>499,076</u>	<u>110,681</u>	<u>929</u>	<u>610,686</u>
Expenditures:				
Current:				
General government:				
Operating services	59,707	685		60,392
Materials and supplies	89,868	419		90,287
Travel and other charges	27,787			27,787
Capital outlay	114,233	4,525		118,758
Total expenditures	<u>291,595</u>	<u>5,629</u>		<u>297,224</u>
Excess of revenues over expenditures	207,481	105,052	929	313,462
Fund balances at beginning of year	<u>1,665,223</u>	<u>995,421</u>	<u>1,556</u>	<u>2,662,200</u>
Fund balances at end of year	<u>\$ 1,872,704</u>	<u>\$ 1,100,473</u>	<u>\$ 2,485</u>	<u>\$ 2,975,662</u>

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Activities:

Net change in fund balances - total governmental funds	\$ 313,462
Amounts reported for governmental activities in the statement of activities are different because:	
The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendible financial resources.	76,924
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$52,283) exceeded capital outlays (\$41,834) in the current period.	(10,449)
Change in net assets of governmental activities	<u>\$ 379,937</u>

See accompanying notes to the basic financial statements.

City of Shreveport City Court
Shreveport, Louisiana
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2004

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 1,443,809
Total assets	<u>\$ 1,443,809</u>
Liabilities	
Unsettled deposits due to others	<u>\$ 1,443,809</u>
Total liabilities	<u>\$ 1,443,809</u>

See accompanying notes to the basic financial statements.

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2004

INTRODUCTION

The City of Shreveport City Court represents the court system for the City of Shreveport. It is governed by the four independently elected judges from the four divisions of the City of Shreveport. The City Court maintains certain funds comprised of fines and fees collected which are authorized by various state statutes.

(1) Summary of Significant Accounting Policies

The City of Shreveport City Court's financial statements are prepared in conformity with governmental accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999. The more significant accounting policies established in GAAP and used by the City Court are discussed below.

A. Reporting Entity

The City Court judges are independently elected officials. However, the City Court is fiscally dependent on the City of Shreveport for office space, courtrooms, related utility costs, insurance, and substantially all salary and related employee benefit costs. Because the City Court is fiscally dependent on the city, the City Court was determined to be a component unit of the City of Shreveport, the financial reporting entity.

The accompanying financial statements present information only on the funds maintained by the City Court and do not present information on the City of Shreveport, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basic Financial Statements – Government-Wide Statements

The City Court's basic financial statements include both government-wide (reporting the funds maintained by the City Court as a whole) and fund financial statements (reporting the City Court's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City Court's cost account, criminal account, probation account, and pro bono account are classified as governmental activities. The City Court does not have any business-type activities. The government-wide statements include all funds of the City Court except for fiduciary funds.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

term assets and receivables. The City Court's net assets are reported in two parts – invested in capital assets, and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the City Court's functions. The functions are also supported by general government revenues (interest income). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which must be directly associated with the function. The net costs (by function) are normally covered by general revenue (interest income).

This government-wide focus is more on the sustainability of the City Court as an entity and the change in the City Court's net assets resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City Court are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City Court:

1. Governmental Funds – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City Court:
 - a. General funds are the general operating funds of the City Court. They are used to account for all financial resources except those required to be accounted for in another fund. Included in the City Court's general funds are the cost account and criminal fund.
 - b. The special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds of the City Court are the Probation fund and Pro Bono fund.
2. Fiduciary funds – Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City Court programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City Court's general funds (cost and criminal funds) and the Probation fund are reported as major funds in the fund financial statements.

The City Court's fiduciary funds are presented in the fiduciary fund financial statements by type. The only fiduciary funds of the City Court are agency funds, consisting of the Civil Division fund, Traffic Violations Bureau fund, and the Small Claims fund. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The governmental funds in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues of the City Court consist principally of interest income and fines and fees for services relating to court filings. Interest income is recorded when earned. Fines and fees for services are recorded when received in cash because they are generally not measurable until actually received.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Depreciation is not recognized in the governmental fund financial statements.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, interest bearing demand deposits, and time deposits with original maturities of ninety (90) days or less when purchased.

Under state law, the City Court may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

F. Prepaid Expenses

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements. The non-allocation method of accounting for prepayments is utilized in the fund financial statements, since only expendable financial resources are included in the governmental fund balance sheet.

G. Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Computer equipment	5 years
Office equipment	5-15 years
Office furniture and improvements	7-20 years

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the police jury or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Court's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

I. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

(2) Budgets

A complete budget was not adopted for the year ended December 31, 2004, for the City Court's general funds and special revenue funds.

(3) Cash and Cash Equivalents

At December 31, 2004, the City Court has cash and cash equivalents (book balances) totaling \$4,401,560 as follows:

Petty cash	\$ 452
Demand deposits	3,438,989
Certificates of deposit	<u>962,119</u>
	<u>\$ 4,401,560</u>

Reconciliation to government-wide Statement of Net Assets:

Cash and cash equivalents	\$ 2,957,751
Agency funds (not on government-wide statements)	<u>1,443,809</u>
	<u>\$ 4,401,560</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent bank.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City Court does not have a deposit policy for custodial credit risk. As of December 31, 2004, \$3,930,314 of the government's bank balance of \$4,407,848 was exposed to custodial credit risk as follows:

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

Uninsured and collateral held by the pledging
bank's trust department not in the City Court's name \$ 3,930,314

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the clerk that the fiscal agent has failed to pay deposited funds upon demand.

(4) Prepaid Expenses

Included in prepaid expenses in the government-wide financial statements is \$76,924 paid to the City of Shreveport for the purchase of computers. The City of Shreveport required that the City Court pay in advance for the computers. As of December 31, 2004, the City Court had not yet received the computers.

(5) Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance at Jan. 1, 2004	Additions	Deletions	Balance at Dec. 31, 2004
Governmental Activities:				
Computer equipment	\$ 125,723	\$ 8,235	\$ —	\$ 133,958
Office equipment	85,306	2,770	—	88,076
Office furniture and improvements	<u>465,350</u>	<u>30,829</u>	<u>—</u>	<u>496,179</u>
Totals at historical cost	<u>676,379</u>	<u>41,834</u>	<u>—</u>	<u>718,213</u>
Less accumulated depreciation:				
Computer equipment	(111,381)	(10,777)	—	(122,158)
Office equipment	(31,607)	(7,828)	—	(39,435)
Office furniture and improvements	<u>(132,870)</u>	<u>(33,678)</u>	<u>—</u>	<u>(166,548)</u>
Total accumulated depreciation	<u>(275,858)</u>	<u>(52,283)</u>	<u>—</u>	<u>(328,141)</u>
Governmental activities capital assets, net	<u>\$ 400,521</u>	<u>\$(10,449)</u>	<u>\$ —</u>	<u>\$ 390,072</u>

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2004
(Continued)

Depreciation expense was charged to Governmental Activities as follows:

Judicial expenses	\$ 52,024
Probation	<u>259</u>
	<u>\$ 52,283</u>

(6) Changes in Agency Fund Balances

A summary of changes in agency funds follows:

	Balance at Jan. 1, 2004	Additions	Reductions	Balance at Dec. 31, 2004
Civil Division	\$ 972,214	\$ 748,873	\$ 669,076	\$ 1,052,011
Violations Bureau	123,948	1,989,217	1,983,821	129,344
Small Claims	<u>210,289</u>	<u>288,490</u>	<u>236,325</u>	<u>262,454</u>
	<u>\$ 1,306,451</u>	<u>\$ 3,026,580</u>	<u>\$ 2,889,222</u>	<u>\$ 1,443,809</u>

(7) Risk Management

The City of Shreveport purchases commercial insurance to provide workers compensation and general liability and property insurance for the City Court. There were no significant reductions in insurance coverage from the previous year.

(8) Expenditures of the City Court Paid by the City of Shreveport

The City of Shreveport provides office space, courtrooms, related utility costs, insurance, and substantially all salary and related employee benefit costs. No amounts have been recognized in the accompanying financial statements for expenditures paid by the City of Shreveport.

(9) Leases

The City Court leases a copier under an operating lease. Rental costs on that lease for the year ended December 31, 2004, was \$ 3,791.

Commitments under lease agreements having initial remaining terms in excess of one year are as follows:

For the Year Ending December 31,	
2005	\$ 3,423
2006	<u>2,567</u>
Total minimum future rentals	<u>\$ 5,990</u>

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Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards*

City of Shreveport City Court
Shreveport, Louisiana

We have audited the financial statements of the City of Shreveport City Court as of and for the year ended December 31, 2004, and have issued our report thereon dated February 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Shreveport City Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings as items number 2004-1 and 2004-2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Shreveport City Court's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving internal control over financial reporting which we have reported to management in a separate management letter dated February 22, 2005.

This report is intended solely for the information and use of management and the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a long, sweeping horizontal line extending from the end of the signature.

Cook & Morehart
Certified Public Accountants
February 22, 2005

City of Shreveport City Court
Shreveport, Louisiana
Schedule For Louisiana Legislative Auditor
December 31, 2004

Summary Schedule of Prior Audit Findings

There were three findings in the prior audit for the year ended December 31, 2003, as follows:

Reference No.: 2003-1

Description of Finding: The City Court did not appropriately adopt a complete budget for its general and special revenue funds for the year ended December 31, 2003, as required by the Louisiana Local Government Budget Act. The City Court did adopt a budget for its general funds and major special revenue fund; however, this budget included expenditures only. Louisiana Local Government Budget Act states that a budget should be adopted for the general fund and for each special revenue fund showing the estimated fund balances at the beginning of the year, estimates of all receipts and revenues to be received, recommend expenditures, other financing sources / uses, and estimated fund balances at the end of the year.

Current Status: See repeat finding in current year audit for the year ended December 31, 2004.

Reference No.: 2003-2

Description of Finding: The City Court did not have its deposits adequately secured as of December 31, 2003 through federal deposit insurance or the pledge of securities. The total unsecured bank balances as of December 31, 2003, was \$100,000. (See note 4 to the financial statements)

Current Status: No finding noted in the audit for the year ended December 31, 2004.

Reference No.: 2003-3

Description of Reportable Condition:

The City Court does not record the activity of the Violations Bureau Account on any fund's general ledger and a Senior Deputy Court Clerk issues the checks and reconciles the bank statement for the account.

Current Status: No finding noted in the audit for the year ended December 31, 2004.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Schedule For Louisiana Legislative Auditor
December 31, 2004
(Continued)

There was one management letter comment in the prior year audit for the year ended December 31, 2003, as follows:

Comment 1: Disbursement Procedures

See repeat comment in current year audit for the year ended December 31, 2004.

Corrective Action Plan For Current Year Audit Findings

Reference No.: 2004-1

Description of Finding: The City Court did not appropriately adopt a complete budget for its general and special revenue funds for the year ended December 31, 2004, as required by the Louisiana Local Government Budget Act. The City Court did adopt a budget for its general funds and major special revenue fund; however, this budget included expenditures only. Louisiana Local Government Budget Act states that a budget should be adopted for the general fund and for each special revenue fund showing the estimated fund balances at the beginning of the year, estimates of all receipts and revenues to be received, recommend expenditures, other financing sources / uses, and estimated fund balances at the end of the year.

Corrective Action Planned: The City Court will appropriately adopt a budget for general and special revenue funds in the future, inclusive of special revenue funds which indicate the estimated fund balances at the beginning of the year, estimates of all receipts and revenues to be received, estimated expenditures, other financing sources/uses and estimated fund balances at the end of the year.

Name of Contact Person: Virginia Hester, Court Administrator

Anticipated Completion Date: September 30, 2005

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Schedule For Louisiana Legislative Auditor
December 31, 2004
(Continued)

Reference No.: 2004-2

Description of Finding: During our audit, we tested payments for travel reimbursements. Documentation for the travel was not readily available. The documentation *was eventually obtained to substantiate the travel.*

We recommend that detailed receipts be obtained for travel reimbursements on a current basis after completion of each travel.

Corrective Action Planned: The City Court will comply with this recommendation and will obtain detailed *receipts for travel reimbursements on a current basis after completion of each travel.*

Name of Contact Person: Virginia Hester, Court Administrator

Anticipated Completion Date: September 30, 2005

Management Letter Comments:

Management's response to the current year management letter comment is as follows:

Comment 1: Disbursement Procedures

The Court will comply with this recommendation and have each and every invoice for payment approved prior to making payment. The invoices will either be approved in advance and will be attached to the checks when presented for signature. In 2004, the Court complied with the formal purchase order and any requests for purchases will be on the proper form and approved in advance of placing order.

Comment 2: Cellular Telephones

The Court will adopt a formal policy regarding cellular telephones, which will include a provision for personal use and that the Judges and other personnel will pay \$10.00 per month for cellular phone usage. A copy of the cellular phone bill be distributed to the Judges with an invoice on a quarterly basis by the Accountant.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Schedule For Louisiana Legislative Auditor
December 31, 2004
(Continued)

Comment 3: Signature Stamp

The Court will comply with this recommendation. The Accountant has returned the signature stamp to the minute clerk and will not have access to, nor will use, any Judge's signature stamp on checks.

Comment 4: Agency Funds – Suit Ledgers

The Court will comply with this recommendation. The Accountant will reconcile suit ledgers to the Court's general ledger on a routine basis.

Comment 5: Price Analysis

The Court will comply with this recommendation to comply with the public bid law. The Court will also have supporting documentation for any purchases made under a sole source contract.

COOK & MOREHART

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Management Letter

February 22, 2005

Virginia Hester
Judicial Administrator

Judge R. Lee Irvin
Judge Charles W. Kelley, IV
Judge Laleshia Walker Alford
Judge Randy E. Collins

City of Shreveport City Court

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We have audited the financial statements of the City of Shreveport City Court (City Court), for the year ended December 31, 2004, and have issued our report thereon dated February 22, 2005. In planning and performing our audit of the financial statements of the City Court, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

During our audit the following items were noted involving internal control over financial reporting and other operational matters which appear to merit your attention for consideration to improve the internal control over financial reporting or operations of the City Court.

Comment #1: Disbursement Procedures

During our audit, we noted the following in regards to expenditures – disbursements:

- 1) Invoices for payment are not physically approved and do not accompany checks for signature.

We recommend the City Court implement the following procedures:

- 1) All invoices should be approved for payment by the Judicial Administrator or Assistant Judicial Administrator prior to payment.

- 2) All invoices and supporting documents should accompany the checks when presented for signature.

Comment #2: Cellular Telephones

During our audit, we noted that the City Court does not currently have a provision for personal use of cellular telephones by the judges and other employees of the Court.

We recommend that the City Court adopt a formal policy concerning cellular telephones, including provisions for personal use of the phones.

Comment #3: Signature Stamp

During our audit, we noted that the accountant who prepares checks / disbursement has access to a signature stamp which can be used in signing checks.

To strengthen internal controls over disbursements, we recommend that the accountant not have access to any signature stamps.

Comment #4: Agency Funds – Suit Ledgers

The City Court maintains a computerized system for tracking amounts received and disbursed for the Civil and Small Claims agency funds. However, this system is not being reconciled to the agency's general ledgers.

We recommend that the agency implement procedures to reconcile the suit ledgers to the agency's general ledgers on a routine basis.

Comment #5: Price Analysis

During our audit, we tested the City Court's purchase of supplies for its filing system. The City Court did not obtain bids or price quotes for these purchases. It appears that these purchases would be subject to public bid laws.

We recommend that the agency comply with public bid law when required. In addition, supporting documentation should be provided for any purchases made under a sole source contract.

We express sincere thanks to the City Court personnel for the cooperation and assistance provided us during our audit. We are available to provide you assistance and consultation in the implementation of the above mentioned items. This letter is furnished solely for the use of management and is not intended to be used for any other purpose.



Cook & Morehart
Certified Public Accountants